

Supportive Services for Veteran Families (SSVF) National Grantee Webinar Series

Audit Guidelines, Fraud Prevention, Reporting & Compliance

Presented by Department of Veterans Affairs

Financial Services Center (FSC)

February 9, 2017

[AUDIO:](#)

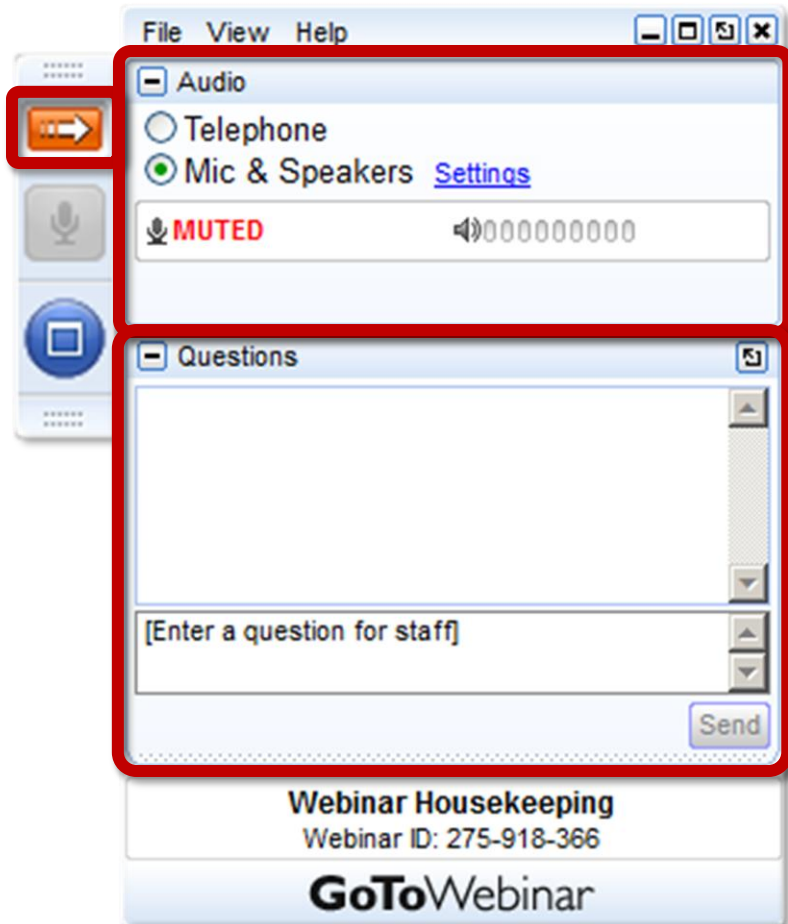
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Webinar Format



- Webinar will last approximately 90 minutes
- Participants' phone connections are "muted" due to the high number of callers
 - **Questions can be submitted during the webinar using the Q&A function**
- Questions can also be submitted anytime to [SSVF@va.gov](mailto:ssvf@va.gov)

Questions



Your Questions

Submit questions and comments via the Questions panel

Introductions

- Jeffrey Houser, SSVF Compliance Officer
- Christina Singleton, Senior Auditor,
Financial Service Center

Overview



- Agency's need to be diligent and not complacent.
- Several current fraud and criminal investigations on-going at this time.
- Highlight of ongoing and closed criminal and fraud cases and have impacted individuals and agencies.

Fraud Basics

What:

- In the broadest sense, fraud can encompass any crime for gain that uses deception as its principal modus operandus. More specifically, fraud is defined by Black's Law Dictionary as:
 - A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment.
 - Consequently, fraud includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means.
- All multifarious means which human ingenuity can devise, and which are resorted to by one individual to get an advantage over another by false suggestions or suppression of the truth.
 - It includes all surprises, tricks, cunning or dissembling, and any unfair way which another is cheated.

Fraud Basics

Who:

- Fraud against an organization can be committed either internally by employees, managers, officers, or owners of the company, or externally by customers, vendors, and other parties.
- Fraudsters have also devised schemes to defraud individuals i.e. Identity theft, Ponzi schemes, phishing schemes, and advanced-fee frauds are just a few of the ways criminals have found to steal money from unsuspecting victims.

Fraud Basics: Fraud Triangle = When, Where, and Why



Fraud Detection



- Lack of Proper Internal Controls
 - Segregation of Duties
 - Unsupervised Spending
 - Lack of Internal Policies
- Ineffective Board of Directors
 - Unqualified Board
 - Meets Infrequently
 - Absence of Oversight/Direction
 - Insufficient Documentation of Meeting Minutes

Importance of System and Internal Controls



- Segregation of duties for TFA
- The case manager requesting the rental payments should not be the one who inspects the unit.
- Separate employee use a Vendor verification of the EIN – Determine if a vendor look up subscription is feasible before submitting payments.
- Have a separate employee use local resources (Tax appraisers website) to determine who owns rental unit.
- Have a separate employee conduct a post placement follow up with the Veteran family to ensure their copy of the lease matches the one in the file
- Ensure that all documents (Leases, notices, etc.) have hand written dates and signatures
- Review the Veterans signature on lease to previously signed SSVF documents
- Ensure that the lease agreement includes the Veterans name
- For continuing rental payments – call landlord/rental agency to verify Vet is still occupying unit before making payment

Fraud Prevention



- Proper Internal Controls
 - Approval Chain
 - Bonded Cash Handlers
 - Create Internal Policies

- Board of Directors
 - Qualified Board
 - Meets Timely
 - Oversight/Direction
 - Sufficient Documentation of Meeting Minutes

Fraud Detection



- Conflicts of Interest- Employee/Staff
 - Less than "Arms Length"
 - Personal Benefits
 - Family Members on Board
 - Kick Backs (Contractors/Vendors)
- Payment Requests or Drawdown of Grant Funds- Agency
 - Insufficient Justification or Documentation
 - Drawdowns After Award Period Ends
 - Payment Request Exceeds Expenditures

Fraud Prevention

- Avoid The Appearance of Conflicts of Interest
 - Disclose Relationships with Families or Friends
 - Avoiding Personally Beneficial Relationships
 - Bid for Contracts/MOU's (Debarred and Suspended)
 - Decline Kick Backs and Gifts

- Payment Requests or Drawdown of Grant Funds
 - All Justification or Documentation
 - Recording in Proper Period
 - Extreme controls governing Petty Cash/Gift Cards usage

Risk Mitigation



1. Read & Understand the Grant Agreement; Know the rules: Agency Guidance; CFR's; Mandatory Disclosure, etc.
2. Examine your programs to identify fraud vulnerabilities: time & effort records; consultants; control of "cash"
3. Consider developing a compliance plan.
4. Implement specific fraud prevention strategies including educating others about the risks— the more people are aware of the issues, the more they can help prevent problems or detect them as early as possible.
5. Maintain a well designed and tested system of internal controls.

Risk Mitigation



6. Ensure all financial or other certifications and progress reports are adequately supported with appropriate documentation and evidence.
7. Identify any potential conflicts of interest issues and disclose them to the appropriate officials for specific guidance and advice. Ensure everyone involved in the grant process understands the conflict of interest prohibitions.
8. Ensure there is a fair, transparent and fully-documented procurement process especially when utilizing consultants. Ensure the rate of pay is reasonable and justifiable and that the work product is well-defined and documented.

Conflicts of Interest and Procurement Process Issues



- Grantees are required to use federal funds in the best interest of their program and these decisions must be free of undisclosed personal or organizational conflicts of interest– both in appearance and fact.

The typical issues in this area include:

- Less than Arms-Length Transactions: purchasing goods or services or hiring an individual from a related party such as a family member or a business associated with an employee of a grantee.
- Sub grant award decisions and vendor selections must be accomplished using a fair and transparent process free of undue influence. Most procurements require full & open competition.
- Consultants can play an important role in programs, however, their use requires a fair selection process, reasonable pay rates, and specific verifiable work product.

“Lying” or Failing to Properly Support



- A grant agreement is essentially a legally binding contract and grantees are obligated to use their grant funds as outlined in the agreement and to act with integrity when applying for and reporting their actual use of funds. Grantees are also obligated to properly track the use of funds and maintain adequate supporting documentation.

The typical issues in this area include:

- Unilaterally redirecting the use of funds in a manner different than outlined in the grant agreement.
- Failing to adequately account for, track or support transactions such as personnel costs, contracts, indirect cost, program income, or other sources of revenue.
- Grantee's must accurately represent their eligibility for funding and cannot provide false or misleading information in their application or subsequent narrative progress or financial status reports.

Theft



- Theft is the most common issue in almost all organizations—including those that receive federal grant funding.
- People that embezzle funds can be extremely creative and appear very trustworthy— precisely why they can do so much damage to an organization and remain undetected for extended periods of time.
- Poor or no internal controls equals virtually inevitable theft. A lack of appropriate separation of duties is one of the most common weaknesses.
- Checks routinely written to employees as “reimbursement” of expenses and the use of ATM / Debit / Gift / Credit Cards must be carefully controlled and require robust oversight.

Actual Cases



- The Supportive Services for Veteran Families (SSVF) Program Office received notification from the Program Director of an agency that an employee has been submitting fraudulent paper work and payment requests, for fraudulent SSVF participants, leading to TFA payments being issued, under fraudulent circumstances.
- As a result of the fraudulent activity, the employee has been effectively terminated.
- The employee has officially been charged with six counts each of theft by deception and forgery.

Subcontractor Fraud



- Forged documentation ranging from vendor letters to eligibility documentation.
- Forgery of Veteran signatures to warrant TFA assistance.
- Failure to produce documentation for TFA Non-Compliance with financial assistance limits resulting in multiple over payments
- Falsified client records

Examples of Bad Behavior and Judgements



HOUSTON –February 11, 2016

A former employee of a Texas SSVF grantee and another person have been taken into custody following the return of a 15-count indictment involving a wire fraud conspiracy. Both men are charged in the conspiracy. Darrell Demond Arline, 36, of Pearland, and Aaron Matthew Pierce, 36, of Houston Arline faces 14 substantive counts of wire fraud, while Pierce is charged with three. If convicted, the defendants face up to 20 years in federal prison and a possible \$250,000 maximum fine on each count of conviction.

Public Service Announcement



Mandatory Return of SSVF Grant Funds

Mandatory Return of SSVF Grant Funds



- SSVF will be recouping funds from underspent grants throughout the grant cycle.
- Per the grant agreement between VA and SSVF grantees, the SSVF Program Office will recoup funds from grantees who are not meeting the minimum expenditure rates.
- This is the first year mandatory returns will be implemented. However, the SSVF Program Office has elected to waive this process for first quarter (ended 12/31/16) of FY17.
- The grant agreement (MOA) describes that, after each quarter, grantees are required to have a minimum percentage of funds drawn from the HHS Payment Management System.
 - 1st quarter – 15% or more;
 - 2nd quarter – 40% or more;
 - 3rd quarter – 65% or more.

Mandatory Return of SSVF Grant Funds



- The SSVF Program Office is currently developing the procedures for how this will be completed and will inform grantees as soon as possible.
- In the meantime, please review your grant expenditures and your projected spending for the remainder of the grant year. The first mandatory return of funds will take place immediately following the end of the 2nd quarter FY17 (April).
- If you have questions about this new process for FY17, please contact your Regional Coordinator.

Mandatory Return of SSVF Grant Funds



Reminder - You cannot draw down funds simply to meet minimum requirements.

Federal regulations at 200.305(b) require Grantees to minimize the amount of time between receipt of payment and disbursement.

- **SSVF Program Guide in the Overview of Disbursement section, it states:**

Grantees have **three days** to expend the funds that have drawn down from the HHS system.

Mandatory Return of SSVF Grant Funds



The Corrective Actions section of the SSVF Program Guide states:

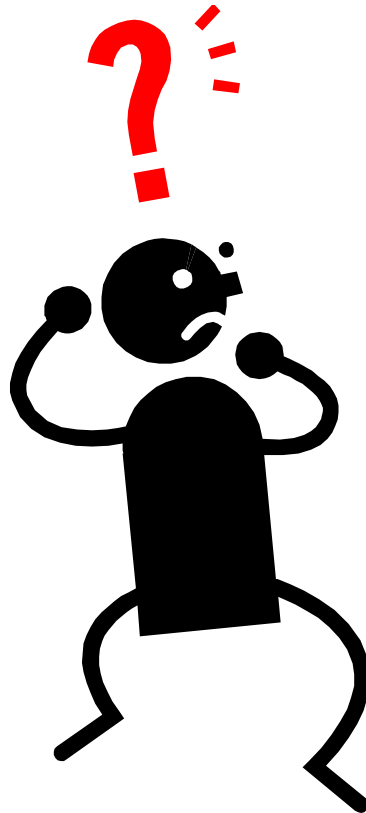
In accordance with 38 CFR 62.60(b), if a grantee's actual SSVF grant expenditures vary from the amount disbursed for a given quarter or actual SSVF activities vary from the grantee's program description provided in the grant agreement, VA may require that the grantee initiate, develop and submit to VA for approval a Corrective Action Plan (CAP).

Mandatory Return of SSVF Grant Funds



In accordance with 38 CFR 62.80, when a grantee fails to comply with the terms, conditions, or standards of the supportive services grant, VA may, with 7 day notice to the grantee, withhold further payment, suspend the SSVF grant, or prohibit the grantee from incurring additional obligations of Supportive Services grant funds, pending corrective action by the grantee or a decision to terminate.

Question & Answers



Email questions to ssvf@va.gov

Contact Information



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TODAY'S WEBINAR!**